

# RARE WORK TEAM KICKOFF MEETING

5/3/12

RI Office of the Health Insurance Commissioner

Risk Adjustment  
Reinsurance

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# AGENDA

- RARE Background and Overview
- Final Goal
- Timeline
- Work Teams and Project Plan
- Questions

# BACKGROUND: WHY ARE WE HERE TODAY?

- Affordable Care Act brings many new enrollees to the health insurance marketplace
- We don't know much about the health of the formerly uninsured
  - Unknown relative risk = uncertain future claims
- Potential to destabilize the market:
  - Some members may have unexpectedly high cost (reinsurance)
  - Some issuers may attract sicker members (risk adjustment)
  - Some issuers may incur higher overall costs due to utilization spike than expected (risk corridors)
- Because Rhode Island's market is small, it's easier to disrupt



# ENTER: PREMIUM STABILIZATION

- Sections 1341-1343 of the Affordable Care Act direct states to implement premium stabilization programs to mitigate these risks

- **Risk Adjustment:** Issuers that attract healthier population compensate issuers that attract sicker population
- **Reinsurance:** Issuers will receive compensation for high-cost *individual* members.
  - All carriers and third party payers pay into the pool.
- **Risk Corridors:** A gain and loss sharing program that compares benefit costs (before admin) to total collected premium.
  - Plans are fully at-risk between for benefits between 97% and 103% of target
  - Risk Corridor calculation comes after Risk Adjustment and Reinsurance

# RARE WORKGROUP

The state has convened the Risk Adjustment and Reinsurance (RARE) Stakeholder Workgroup to develop robust premium stabilization programs

	Risk Adjustment	Reinsurance	Risk Corridors
Timing	Permanent	Temporary 2014-2016	Temporary 2014-2016
Who Administers	State or Fed <i>State's choice</i>	State or Fed <i>State's choice</i>	Fed
Market(s)	Small & Individual	Individual	Small & Individual
Mitigated Risk	Biased selection	Adverse Selection, Uncertainty	Adverse Selection, Uncertainty

# RISK ADJUSTMENT

## ■ GOALS:

- (1) level the playing field inside and outside of the Exchange
- (2) reduce differences in premiums based solely on the expected *average* risk of new members
- (3) reduce the uncertainty of future claims costs so insurers can price their products accurately

## ■ Risk Adjustment must:

- Be budget neutral. Payments = charges
- Be completed for every issuer in a given market (small and/or direct)
- Take into account different plan metal levels and acceptable rating factors (smoking, age)
  - *Federal government will establish settlement of payments and charges*

# RISK ADJUSTMENT: HOW IT WORKS

1. Risk adjustment model uses **factor weights**: values that represent the relative level of spending for a certain diagnosis, given a patient's demographics
2. A member's factor weights are added together to form the **member's risk score**
3. The average risk score across all members is the **carrier's risk score**
4. Carriers with a lower than average risk score are assessed and carriers with a higher than average risk score receive a payment.



# REINSURANCE

## ■ GOALS:

- (1) Reduce claims uncertainty among high risk individuals
  - Specifically those with unusually high medical expenses
- (2) Counteract *adverse selection* among issuers
  - The idea that most unhealthy people will seek (and use) health insurance

## ■ Reinsurance must be:

- Fully funded
- Funded by all carriers and third party payers
- Applied to the individual market only



# RARE PROGRAM GOALS

To build risk adjustment and reinsurance programs that:

- 1.) create a level playing field inside and outside of the exchange
- 2.) allow insurers to price their products with increased certainty
- 3.) encourage competition based on value based services and benefits, not risk selection
- 4.) are constructed with the most accurate, recent and rigorously tested data available

# OUR PRIORITIES

This workgroup needs to answer many questions:

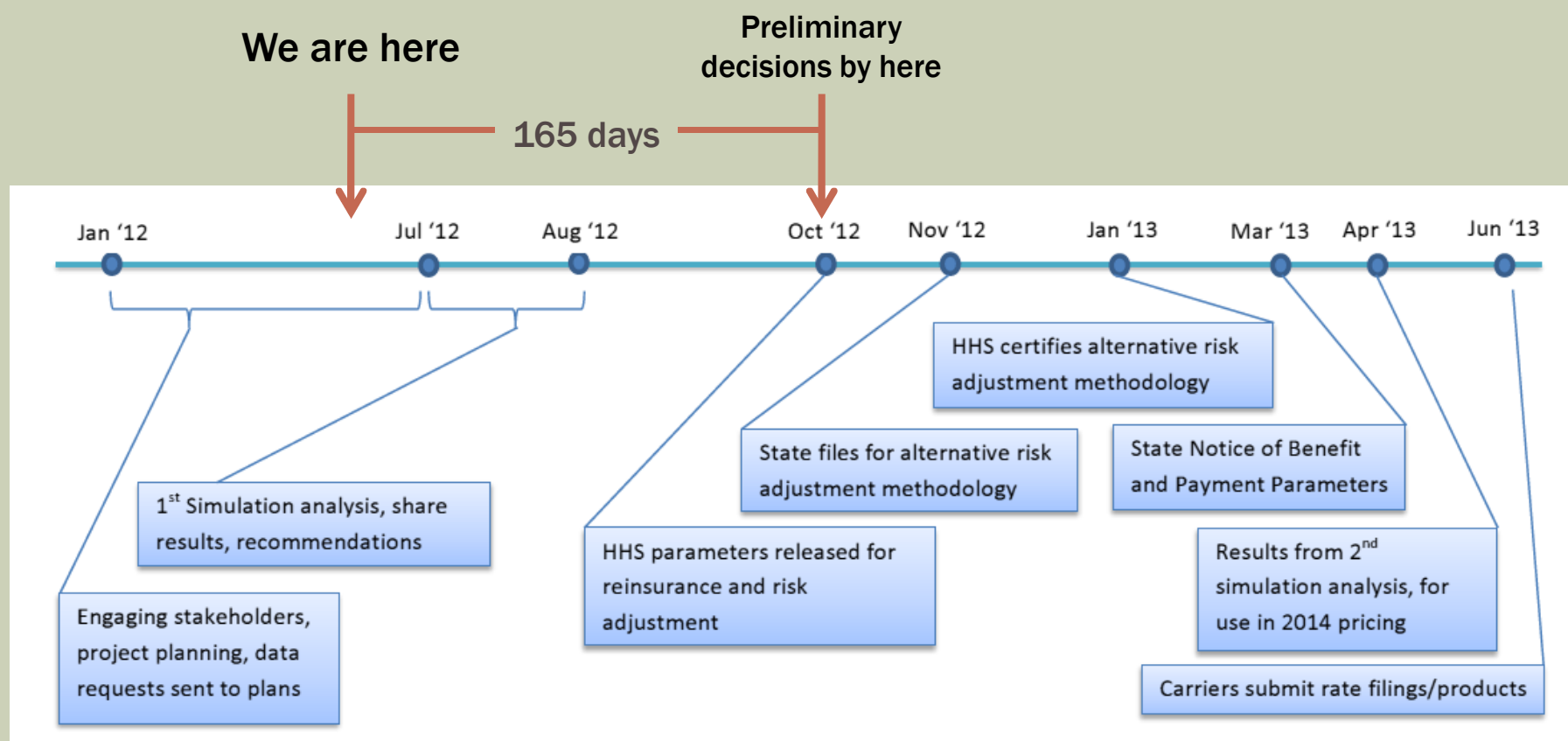
- Will Rhode Island use the **federal or state-specific** approach to risk adjustment and reinsurance?
- If state-specific, what **parameters** will we use?
- Will we engage a **third party administrator** for reinsurance?
- How will we **administer** the programs?
- **What data** will we use for risk adjustment and reinsurance?
- What will be the **governance and oversight** framework?
- How will we **audit and monitor** the programs?
- How do we ensure **sustainability**?

**Risk Adjustment  
Reinsurance**

# WHY ARE YOU HERE TODAY?

- Because this project's success – **the stability of the commercial market** – demands sound guidance from experts:
  - **ISSUERS:** most directly affected by unmitigated risk selection
  - **PROVIDERS:** share perspective on clinically meaningful risk factors
  - **STATE:** responsible for insurer solvency, consumer protection, and health of the delivery system

# HIGH LEVEL TIMELINE



# DETAILED TIMELINE

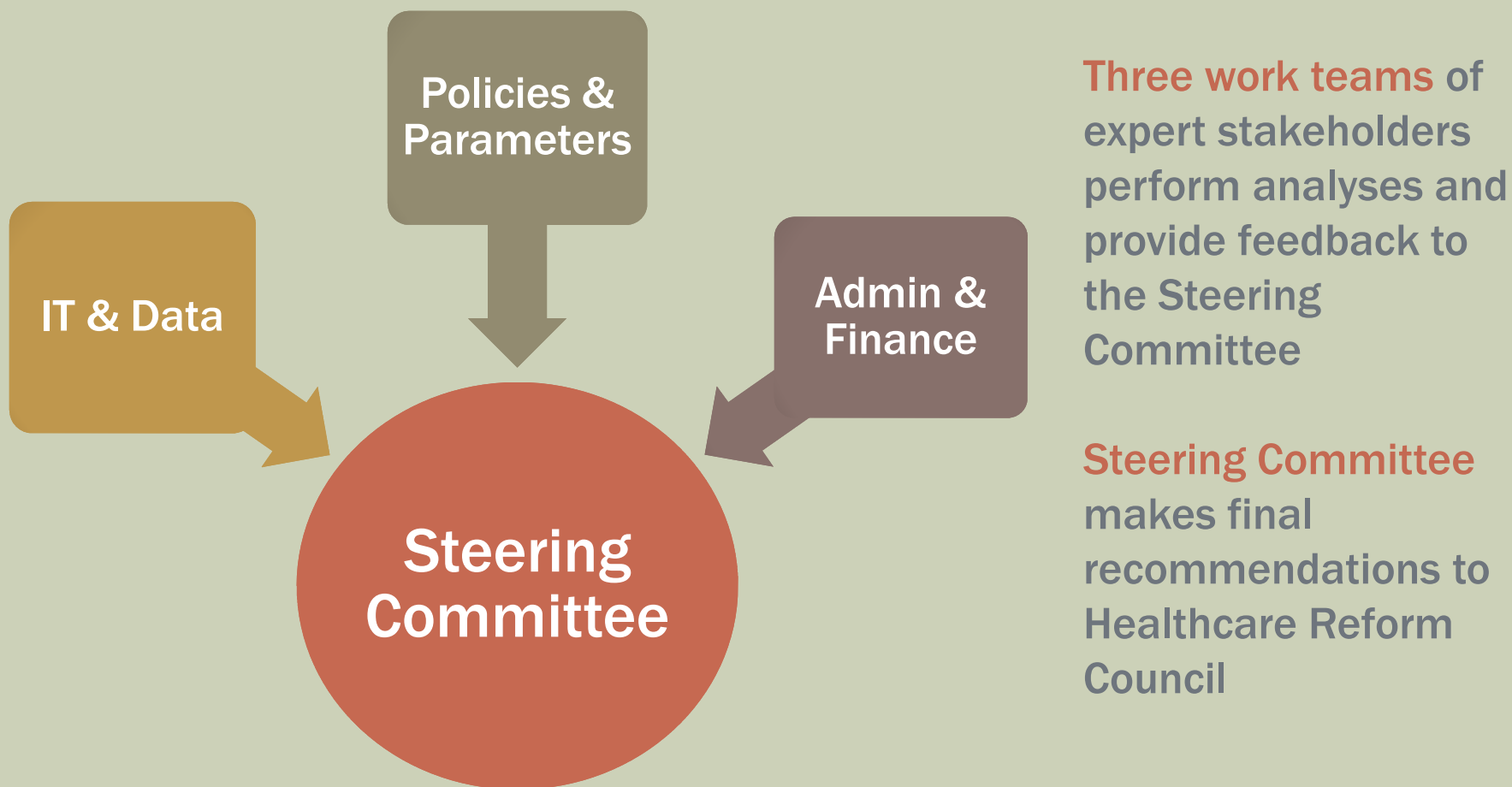
	Task	By When	By Whom
Data Collection & Planning	IT & Data team address data call concerns	5/31/12	IT & Data team, carriers
	Receive data from Carriers	5/31/12	Carriers
Analysis	Work teams set modeling parameters	6/15/12	Work teams
	Wakely completes initial claims analysis	7/15/12	Wakely
	Analysis and simulation validation	8/31/12	Wakely and carriers
Decisions	Final simulation results to work teams	9/15/12	Wakely
	Preliminary state methodology decisions	10/15/12	Work teams
	Federal Methodology Released: October 15, 2012		
	State alternative methodology due: November 15, 2012		
Methodology refinement	Begin refresh of simulations	12/1/12	Wakely and Carriers
	Refresh data due to Wakely	1/31/13	Carriers

# IN THE NEXT SIX MONTHS, WE MUST...

- Collect test data from carriers
- Select and test model parameters
- Analyze the outcomes and compare to Federal model
- Select most reasonable model based on group goals and stakeholder feedback

**For both risk adjustment & reinsurance**

# TEAM STRUCTURE



# TEAM STRUCTURE: THE WHAT



## Steering Committee

- Provide strategic oversight to work teams
- Set priorities for work teams, make decisions using work team analysis
- Establish and manage project timelines
- Meets biweekly beginning May 10



# TEAM STRUCTURE: THE WHAT

## IT & Data

- **Assess adequacy** of existing data to perform required analyses
- **Develop** data specifications and audit procedures
- **Identify & address** data specification and validation issues

## Policies & Parameters

- **Develop test parameters** for analysis phase
- **Select** risk adjustment software tool
- **Conduct** simulation analyses
- **Develop recommendations** related to technical program elements

## Admin & Finance

- **Governance & Oversight**
- **Program Financing & Staffing**
- **Develop funds flow process** for collection, payment, and reconciliation
- **Vendor Procurement**
- **Reporting & Financial Management**
- **Develop plan for ongoing carrier communications**, including updating method and approach

# TEAM STRUCTURE: THE WHO



## Steering Committee

**APCD:**

Tricia Leddy

**Exchange:**

Deb Faulkner

**Medicaid:**

Deb Florio

**OHIC:**

Kim Paull

**Wakely:**

Syed Mehmud  
Ross Winkelman  
James Woolman

# TEAM STRUCTURE: THE WHO

## PROPOSED

### IT & Data

**Team Lead:** Syed Mehmud

**Carriers:** Medical Claims & Legal

Mike Fields  
Rich Glucksman  
Ed Hanley  
Chris Marino  
Pat Ross  
Jessica Sutin  
Gerry Zitoli

#### State

APCD (Linda Green, Tricia Leddy)  
Wakely (Ross Winkelman)  
OHIC (Kim Paull)

5/3/12

### Policies & Parameters

**Team Lead:** Ross Winkelman

**Carriers:** Actuarial Support

Jeffrey McLane  
Mary Poulin  
Jen Stevenson  
David Hoesly

#### Providers

Steve Detoy  
Craig Syata  
Dave Balasco

#### State

Health (Jay Garrett)  
Medicaid (Larry Ross)  
OHIC (Kim Paull)

### Admin & Finance

**Team Lead:** James Woolman

**Carriers:** Finance, Gov't Relations,  
Legal

Bernie Inskeep  
Jason Martesian  
Danya Zimmer  
Monica Nehrona  
Gerry Zitoli  
Jessica Sutin

#### State

Exchange (Deb Faulkner, Merel  
Abruzzese)  
LG (Dan Meuse, Lindsay McAllister)  
Medicaid (Jason Brown)  
OHIC (Kim Paull)

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# NEXT STEPS

- Team leads will organize meeting schedule and key decisions
- **Data Team and Carrier Data Call Meeting:**
  - Wed | May 16 | 11am | OHIC (Room 69-1)
  - Tues | May 29 | 11am | OHIC (Room 69-1)
- **First Steering Committee Meeting:**
  - Thurs | May 10 | 10:30am | DLT Fireplace Room
  - Future meetings held in 69-2
- **Call-in Information for above meetings:**
  - Conference Line: 1-888-757-2748
  - Passcode: 763435

# NEXT STEPS

- Make sure you've signed in
- Should we add anyone else to the groups?
- Contact information:
  - State policy, timeline, workteams:
    - Kim Paull ([kimpaul@gmail.com](mailto:kimpaul@gmail.com))
  - Team Leads:
    - Syed Mehmud ([syedm@wakely.com](mailto:syedm@wakely.com))
    - Ross Winkelman ([rossw@wakely.com](mailto:rossw@wakely.com))
    - James Woolman ([Jamesw@wakely.com](mailto:Jamesw@wakely.com))

**Questions?**

**RARE  
WORK TEAM**

Kickoff Meeting

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